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UDaily

**Lerner College's Poole discusses Fannie Mae, Freddie Mac**

2:17 p.m., Sept. 15, 2010----William Poole, Distinguished Scholar in Residence in the Department of Economics at the University of Delaware, was featured recently in a *PBS NewsHour* report on changes to the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Poole interviewed opposite John Taylor of the National Community Reinvestment Coalition, who argued that a government intermediary is necessary to avoid market collapse in the future.

"My view is that they ought to be phased out altogether," Poole said of the changes, noting that many other Western nations do without such intermediary agencies "and their markets work just fine."

Fannie and Freddie are the government-sponsored enterprises that operated as private companies and packaged mortgages into securities and a guarantee against default with the goal of helping more Americans afford homes.

The companies made huge profits, but when subprime mortgages collapsed, they took huge losses and investors went to the government to stand behind the guarantees. In September 2008, the federal government brought them under federal conservatorship, and to date, the rescue has cost the federal treasury (and taxpayers) nearly \$150 billion.

According to Poole, who also published an op-ed piece, "Say Goodbye to Fannie and Freddie," in *The New York Times* Friday, Aug. 13, it is a mistake to reconstitute the two private companies "in anything close to their prior form."

"Evidence shows that the private market can originate, securitize and distribute home mortgages efficiently on its own," said Poole. "While it's true that the private market brought on the financial crisis by creating so many subprime mortgages, Fannie and Freddie did not block that parade; they joined it -- indeed, in some respects led it."

Poole suggests a transition plan would be the best solution.

"They would stop buying new mortgages, and their portfolios would decline as the mortgages they own are paid down," said Poole. "Within 10 years, the portfolios would shrink to insignificance and the companies would be gone, closing a chapter in American financial history."

Poole is in his third year as Distinguished Scholar in Residence in the Alfred Lerner College of Business and Economics at UD. He has made numerous guest lecture appearances in economics and finance classes at all levels and presented the annual Hutchinson Lecture in Macroeconomics in April 2010. In the upcoming spring semester, Poole will co-teach a senior-level economics course in contemporary macroeconomic policy with economics professor Jeff Miller.

Poole is also senior fellow at the Cato Institute and senior adviser to Merk Investments.

He retired as president and CEO of the Federal Reserve Bank of St. Louis in March 2008. In that position, which he held from March 1998, Poole served on the Federal Reserve's main monetary policy body, the Federal Open Market Committee.

Before joining the St. Louis Fed, Poole was Herbert H. Goldberger Professor of Economics at Brown University from 1974 to 1998 and served on the faculty of the Johns Hopkins University from 1963 to 1969. Between these two university positions, he was senior economist at the board of governors of the Federal Reserve System in Washington. He was also member of the Council of Economic Advisers in the first Reagan administration, from 1982 to 1985.

Article by Kathryn A. Marrone

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William Poole on PBS NewsHour.

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